

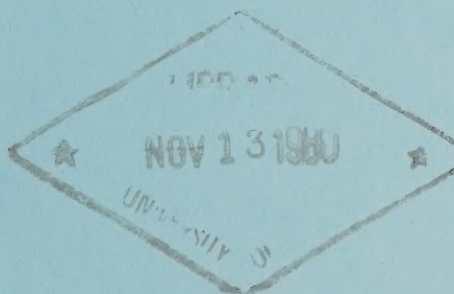
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LOCAL GOVERNMENT *Division*

BULLETIN 43

JOB EVALUATION

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To the Municipal Clerk:

Please circulate this bulletin or make copies for distribution to councillors or staff of your municipality who may be interested in the subject. Additional copies are available at a dollar each from the Publications Centre (see page 13).

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TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
WHAT IS JOB EVALUATION	2
WHAT WILL JOB EVALUATION DO?	4
FOUR KINDS OF JOB EVALUATION SYSTEMS	7
SUMMARY	11



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INTRODUCTION

Job Evaluation is a subject that holds a great deal of mystery for anyone who has never had it properly explained. Yet it is something that is practised in any organization that has more than one employee. In most small organizations, however, people do not realize that they are using it. This bulletin is intended to relieve the mystery.

The subject will be of practical interest to all municipalities that have a sufficient number of employees to warrant the use of formal policies and procedures to pay their employees (whether or not they actually have such policies). These municipalities may presently use an unstructured or informal approach to pay administration, or they may have a formal system that they wish to improve. The bulletin will also be of interest to the very small municipality having only one or two employees, but its practical application will not be as great.

Job evaluation is a broad subject and is itself the subject of several textbooks. It is not possible to cover all there is to know about job evaluation in a publication of this size. What we have presented, then, is a basic outline of the topic in a manner that will create an awareness of the subject and encourage further enquiry by those who want to know more about the topic.

WHAT IS JOB EVALUATION?

Most people believe that job evaluation establishes rates of pay for jobs. Unfortunately, this is not the case. Job evaluation is merely one step in the process of setting rates of pay in an organization. Simply stated, job evaluation is the operation of determining the value of an individual job in relation to the other jobs in the organization. In other words, job evaluation will determine that job B is worth less than job A and more than job C, but it will not determine the exact wage or salary that should be paid to any of these jobs.

At first glance, then, job evaluation may appear to be rather a meaningless exercise, but let's not give up on it that easily.

Job evaluation does exist in every organization that employs people; however, in the majority of small organizations it is an informal process that takes place without the realization of the people who are using it. In the small organization, the evaluation of jobs occurs as an unseen and unrecognized step in establishing pay rates.

Every organization has established rates of pay for the jobs in that organization. Over the years, the differences between the rates of pay from job to job tend to become fixed. As a result, a value system has evolved and an informal job evaluation system has been established. This system says, in fact, that job B is worth less than job A and more than job C ... and everyone knows it.

This is true of all small organizations and it will continue to be true as long as these organizations remain small. The relationships among established rates of pay for the jobs may not be an exact measurement of the relative worth of the jobs but they have persisted, which means they have been recognized and accepted. However informally, a job evaluation system is in place.

As organizations get bigger, as mechanization occurs or technology changes, or automation takes place, or customer needs change, the work to be done is modified. The jobs change. The traditional value system that has evolved is suddenly no longer able to evaluate the new and changed jobs.

If the organization remains small enough, a survey of rates of pay paid by other organizations will be sufficient to establish new rates of pay.

In larger organizations, however, a simple pay survey is not adequate. It becomes increasingly difficult to establish a rate of pay for each individual job and, as the number of jobs increases, the differences between rates of pay become smaller and smaller. Eventually, the differences become so small as to become meaningless and the number of different pay rates is simply impossible to justify, administer or to control. The time and cost required to continue individual treatment becomes prohibitive.

At this point, it is no longer practical to continue to treat each job separately for pay purposes. It becomes a practical necessity to place jobs into a manageable number of groups. Each group would consist of jobs having approximately the same value to the organization. It is this process of grouping, or categorizing, or classifying jobs that requires a formal job-evaluation system.

WHAT WILL JOB EVALUATION DO?

The basic objective of an employer who sets up a job-evaluation system is to provide a consistent method of measuring job worth:

- a method that can be understood by everyone who is affected. There are several other things a good job-evaluation system should do.

- Job evaluation takes into consideration only the elements of the job itself. It does not consider the person who occupies the job and thus avoids the possibility of discrimination on the basis of race, creed, colour, age, sex, marital status, nationality, ancestry or place of origin. Nor does it consider the level of performance of the person who does the job. The pay range for the job of clerk-treasurer will be the same for young Mary, who was just hired, as it was for Charlie, who is retiring.
- Job evaluation will avoid the common and dangerous practice of paying two jobs at the same level simply because they happen to have the same job title. The "Secretary" to the mayor would not necessarily be paid the same as the "Secretary" to the purchasing agent.
- Job evaluation will ensure that those jobs that contribute the most towards reaching the goals and meeting the responsibilities of the municipality are paid at the highest level. It would, to give an obvious example, ensure that the treasurer is paid more than the tax collector.
- Compared to a situation where there is no formal system, job evaluation helps all employees to feel that they are being treated in a fair and reasonable manner, because they know their jobs were measured in a systematic and impartial way. The job-evaluation system is a policy to which employees have access and which can be explained to them.

Where there is no formal system, there is nothing to explain and the mystery remains.

- Job evaluation precludes pressure being applied to increase salaries for personal, partisan and whimsical reasons, and thus makes favoritism difficult if not impossible to practice. Valid and factual reasons must be given and demonstrated before a job can be moved to a higher level. It cannot be done merely on the say-so of one person.
- Job evaluation simplifies and makes sensible the chaotic random-rate pay structures that result from chance, custom and individual factors such as favoritism or employee pressure. For example, in an organization where six of the jobs are paid at hourly rates of \$4.97, \$5.01, \$5.08, \$5.42, \$5.51 and \$5.57, job evaluation might group these jobs into two levels paid at, say, \$5.10 and \$5.60.
- Job evaluation provides a ready-made device for measuring new or changed jobs. When a new job is created, it is evaluated under the job-evaluation plan. There is no guesswork, indecision or disagreement in measuring its worth. It can save a lot of time.
- Job evaluation provides a method for making realistic comparisons with jobs in other organizations for the purpose of gathering pay, benefits and working-condition information. For example, some job-evaluation systems measure factors of jobs, such as education. When comparing jobs with other organizations, it could help to verify that the jobs are the same if it is known how much education is required for each job.
- Job evaluation reduces grievances or complaints over wage and salary rates by narrowing the area available for complaint and by providing a system which simplifies the solving of

disputes. Everybody can look at the job using the same measuring stick. In fact, there is a measuring stick. There is virtually no defence against a grievance if there is no system by which to evaluate a job.

- Job evaluation provides some incentive to employees to strive for higher-level jobs and helps employees to identify a progressive path along which they can plan their careers. With jobs grouped into levels, employees can easily discern a route which will provide a series of promotions.

This list is not complete. In organizations large enough to utilize a formal job-evaluation plan, the uses of job evaluation in personnel management and in organizational planning are virtually without limit. The foregoing uses do, however, give a good indication of the advantages of having a formal system.

FOUR KINDS OF JOB EVALUATION SYSTEMS

There are as many different job evaluation plans as there are organizations using them. Every plan, however, is usually only a variation of one of the following basic systems.

Ranking

Most organizations, in terms of number of employees, are relatively small in size. A simple and inexpensive system of job evaluation is most appealing and appropriate to such organizations. Job ranking is such a system.

Job ranking requires the preparation of brief job descriptions. These descriptions should be reviewed by a committee (rather than one person) established for that purpose. Use of a committee helps to ensure that the job evaluation process is kept objective and does not become biased. The committee would usually consist of senior administrative staff.

The members of the committee simply rank the jobs being evaluated in order of worth. In so doing, they compare each job with the others; they consider the entire job and do not break it down into parts or factors (as is done under other job evaluation methods). The committee must reach agreement on the order in which the jobs are ranked.

Once the ranking has been completed, jobs are grouped in such a manner that jobs of approximately the same value are put together in the same group. Minor differences in value are not considered, and this is perhaps the most difficult part of the exercise. Again, the committee must reach agreement on the grouping of the jobs. These groups of jobs then become the "levels", "grades" or "classes" which job evaluation is intended to establish. The different "levels" are ultimately paid at different rates.

Point Rating

The point-rating system of job evaluation is more complex than the ranking method. It is a system that tries to be quantitative, scientific, in that it depends upon the use of factors and points to establish the relative value of a job. It is the most common of job-evaluation systems in use, but is normally only used in larger organizations. It is a highly-developed, time-consuming and expensive system and thus is not normally appropriate to the needs of the smaller organization.

Point-rating presumes that there are, in every job, factors that can be measured. It also determines that these factors vary in degree from job to job and it is this variance that establishes the difference in job values. For example, a point-rating system might have education as one of its factors and give more points to a job requiring a college education than it would to a job requiring a high-school diploma. Obviously, the higher the number of points a job is given, the greater is its value.

Most point-rating systems use from five to ten different measuring factors such as education, experience, complexity, contacts with others, errors, work hazards, supervision, etc. In the evaluation process, each job is given points under each factor. A predetermined scale lists how many points may be given depending on how much of the factor is required by or is present in the job. The points given for each factor are totalled and the total points are compared to another scale which indicates the level, or grade, into which the job falls. Again, each level or grade represents a different level of pay.

Because point-rating systems use factors, and different types of jobs have different factors (e.g., work hazards is a factor in outside jobs but not normally in office jobs) it is necessary to have different systems for different kinds of jobs. Because of the precise decisions required during the evaluation process, it is advisable to make use of an evaluation committee made up of staff members representing different points of view; for example, three department heads.

Grade Description

As is the case with job ranking, grade description (also known as the classification method) does not call for a detailed analysis of the different components of the job -- it examines the job as a whole. Each job is placed in a "grade" or level by reference and comparison to a predefined series of standards. These standards describe, mostly in general terms, the nature of the responsibilities and the type of work that are found at each level or grade. Each grade has a different level of pay or salary range associated with it and the evaluation process consists of deciding which standard best fits the job being evaluated.

This method requires that a different series of standards be used for different kinds of jobs. For example, one series of standards might be written for evaluating office jobs such as typists and stenographers, while another series might be developed for outside jobs such as truck drivers and equipment operators. It is seldom difficult to decide which series of standards should be used to evaluate a job, but it is sometimes tricky to decide which level a job belongs in, particularly if it seems to come between two levels because of a variety of duties.

Development of the actual description of each grade or level is, of course, the most important part of this system. This is usually done by first ranking and grouping the jobs, as described under the Ranking method. Then, each group (which is, in fact, the grade or level) is then described in terms of the type of work and nature of responsibility found in the jobs in that group. The description, which must be in general terms, becomes the standard.

The grade description method is normally only used by large employers, such as the Province of Ontario which has a highly sophisticated classification system. It is not normally practical for the small organization, simply because a fairly large number of jobs is required in order to develop the grade descriptions.

Classification, or Grade Description, is not a popular method of evaluating jobs.

Factor Comparison

The fourth, and last, of the most commonly used systems of job evaluation is factor comparison. This system is similar to point rating; it is complex, it tries to be scientific, and it examines jobs by looking at factors rather than the whole job. It also has some of the characteristics of Ranking in that it involves comparing the factors of jobs being evaluated to the same factors of pre-selected "key jobs." These key jobs actually become part of the evaluation standard.

Factor comparison is the only system that can establish a rate of pay during the evaluation process. Where a point-rating system gives points under each factor, factor comparison can be structured to give points or actual cents per hour. Then it is simply a matter of adding up the cents per hour given under each factor to arrive at an hourly rate for the job.

Because of the combined use of factors, points, key jobs, ranking and, in some cases, cents per hour, the factor comparison method is the most complex of the four systems. It requires considerable training of the people who will be doing the evaluating and it frequently causes suspicion and resentment on the part of employees who do not understand the method and cannot be expected to. Of the four methods discussed in this bulletin, it is likely the least appropriate to the smaller, non-industrial organization.

Factor Comparison also is not a popular method of evaluating jobs.

SUMMARY

As can be seen from the foregoing, there is nothing magic about job evaluation. On the contrary, it is rather straightforward although it requires a lot of hard work; however, the advantages and positive results of implementing an objective and rational system of measuring the worth of jobs in any organization far outweigh the effort and input required.

Job evaluation plays a very important part in an effective organization structure. Anyone embarking upon a program to implement a system must be prepared not only for the developmental work but also for reviewing and maintaining the system on a regular basis. He must, of course, involve council at least in the approval of the use and design of a job-evaluation system, since it becomes a policy of the municipality. He should ensure that employees are involved in and understand the process as it is being developed. Finally, there is every likelihood that he will find the effort is worth it.

Those who are seriously considering implementing a job-evaluation system, or who are interested in obtaining additional information, will find several excellent textbooks on the subject in the business section of many libraries. The two texts that are generally accepted as the standard works in the subject are:

"Job Evaluation - A Basis For Sound Wage Administration" by Jay L. Otis and Richard H. Leukart, published by Prentice Hall Inc.

"Compensation Administration" by David W. Belcher, published by Prentice Hall Inc.

Most management consulting firms also include job evaluation as one of the services they provide.

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